

**FAMILY HEALTH
NOVEMBER 2007
LOCAL ASSISTANCE ESTIMATE
for
FISCAL YEARS
2007-08 and 2008-09**

Fiscal Forecasting and Data Management Branch
State Department of Health Care Services
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APPENDIX A



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DEPARTMENT OF HEALTH CARE SERVICES BUDGET BALANCING REDUCTIONS
ASSUMES STATUTORY CHANGES ENACTED BY MARCH 1, 2008

(Dollars in Millions)

Issue #	Reduction	2007-08			2008-09		
		TF	GF	FFP	TF	GF	FFP
Family Health Local Assistance							
30	Reduction to Hospital Financing--DPH SNCP by 10%				\$0.000	-\$26.650	\$26.650
31	Reduction to CCS Provider Payments by 10%				-\$24.189	-\$10.989	-\$13.200
32	Reduction to GHPP Provider Payments by 10%				-\$4.200	-\$4.200	\$0.000
	Total - All Reductions	\$0.000	\$0.000	\$0.000	-\$28.389	-\$41.839	\$13.450

**2008-09 Governor's Budget
Budget-Balancing Reduction Proposal
(Dollars in Thousands)**

4260 Department of Health Care Services (DHCS)
Children's Medical Services (CMS) Local Assistance
Title: Increasing the Federal Reimbursement of the State-Funded Programs
through the Safety Net Care Pool

	GF	FF	Other	Total Reductions	PY Reduction
<u>2007-08</u>					
Workload Budget					
Reductions					
Governor's Budget					
<u>2008-09</u>					
Workload Budget					
Reductions	\$26,650	\$26,650		\$53,300	
Governor's Budget					

Program Description

The Safety Net Care Pool (SNCP) was established on July 1, 2005, to reimburse hospitals for uncompensated care they provide to the uninsured, as part of the *Medi-Cal Hospital/Uninsured Care Demonstration* (hospital financing waiver). There are 15 positions in the department that are authorized for implementing the program. The SNCP makes \$586 million available to be claimed using the certified public expenditures of designated public hospitals (DPHs) for uncompensated care to the uninsured, and by claiming State expenditures for four State-funded health care programs (called "federalizing"). Those State-funded programs include: the California Children's Services program; the Genetically Handicapped Persons Program; the Medically Indigent Adult – Long Term Care Program; and the Breast and Cervical Cancer Treatment Program. The federalizing of the four State-funded programs allows federal funds to replace

2008-09 Governor's Budget Budget-Balancing Reduction Proposal (Dollars in Thousands)

State General Fund (GF) for up to 50 percent of the health care costs for documented beneficiaries who receive services under these programs. The State GF freed up by the federalizing of the State-funded programs is used to provide stabilization funding for the DPHs, Non-designated Public Hospitals (NDPHs), private hospitals, and distressed hospitals, in addition to reimbursing the State for the \$32.7 million GF increase that resulted from changes to hospital reimbursement under the hospital financing waiver.

The distribution of the SNCP is based on formulas specified in section 14166 et seq. (SB 1100 (Chapter 560, Statutes of 2005)), and as amended by SB 474 (Chapter 518, Statutes of 2007). Additionally, SB 474 requires that \$100 million of the SNCP monies be allocated to the newly created South Los Angeles Medical Services Preservation Fund.

Program Reduction

The DPHs and the South Los Angeles Medical Services Preservation Fund would receive a ten percent reduction in SNCP payments. This ten percent would allow the Department to use more of the four State-funded program expenditures to claim additional Federal Financial Participation to replace GF in these four programs. The Department would not be required to use this additional GF savings for baseline or stabilization payments to the hospitals and instead would use these funds to reduce General Fund expenditures.

Reduction Impacts

In FY 2007-08, the DPHs are estimated to receive \$542 million from the SNCP (including the South Los Angeles Medical Services Preservation Fund). The Department would reduce the amount of the SNCP payments to the DPHs and the Los Angeles County by 10 percent or \$54.2 million. The additional federal funds, based on the expenditures of the four federalized State-funded programs, will replace GF in both the Family Health and Medi-Cal budgets.

A reduction in funding to hospitals funded under the hospital financing waiver may impact the hospital safety net delivery system, which could impact Medi-Cal beneficiaries and uninsured individuals' access to services.

Any GF reductions to the State-funded programs will decrease the ability to draw down federal funds. The amount of stabilization to the NDPHs, privates, or

**2008-09 Governor's Budget
Budget-Balancing Reduction Proposal
(Dollars in Thousands)**

distressed hospitals would not change.

Timing of Implementation

The reduction will be effective three months after the adoption of State legislation authorizing this change.

Statutory and/or Regulatory Change

Any change in the amount to be allocated to the hospitals or a change in the calculation of SNCP funds would require legislation including notice to the federal government of this funding change.

**2008-09 Governor's Budget
Budget-Balancing Reduction Proposal
(Dollars in Thousands)**

**4260 Department of Health Care Services (DHCS)
Children's Medical Services (CMS) Local Assistance
Title: CCS 10% Provider Payment Reduction**

	GF	FF	Other	Total Reductions	PY Reduction
<u>2007-08</u>					
Workload Budget					
Reductions					
Governor's Budget					
<u>2008-09</u>					
Workload Budget					
Reductions	\$10,989	\$13,200		\$24,189	
Governor's Budget					

Program Description

The CCS program was established in 1927. The CCS program provides case management and authorization of services for approximately 170,000 children up to 21 years of age with an eligible medical condition, who are residents of the county in which they apply for service and are either Medi-Cal beneficiaries, Healthy Families subscribers or whose families' income is \$40,000 or less. These conditions range from prematurity, hemophilia, cancer, cerebral palsy, to trauma. A wide range of health care services are reimbursable to approved providers. Such services include inpatient hospital care, physician services, pharmaceuticals and durable medical equipment. CCS reimburses providers at Medi-Cal rates as mandated by Section 14105.18 of the Welfare and Institutions Code. There have been no recent program expansions.

The majority of the CCS program is funded by Medi-Cal. However, about 45,000 CCS children who are ineligible for Medi-Cal are funded by the CCS "state only" program and CCS-Health Families.

**2008-09 Governor's Budget
Budget-Balancing Reduction Proposal
(Dollars in Thousands)**

Program Reduction

Fee-for-service provider payments will be reduced by 10%. The reductions will be applied to non-contract hospital and all other provider types except for certain long term care facilities.

Reduction Impacts

This proposal would conform CCS to the proposed Medi-Cal 10% provider payment reductions.

The proposed provider payment reductions may have a negative impact on provider participation in the CCS program. Certain types of pediatric specialty and subspecialty physicians are already scarce in California. Many other providers of services, such as respiratory and rehabilitative durable medical equipment (DME) and home health agency (HHA) services already refuse to provide care to CCS clients because of low reimbursement rates.

There would be a proportionate decrease in county CCS expenditures. Counties would not be supplementing provider payments.

Timing of Implementation

The reduction will be effective three months after adoption of state legislation authorizing this change.

Statutory and/or Regulatory Change

Will require a statute change and emergency regulations.

**2008-09 Governor's Budget
Budget-Balancing Reduction Proposal
(Dollars in Thousands)**

4260 Department of Health Care Services (DHCS)
Children's Medical Services (CMS) Local Assistance
Title: Genetically Handicapped Persons Program (GHPP) 10% Provider
Payment Reduction

	GF	FF	Other	Total Reductions	PY Reduction
<u>2007-08</u>					
Workload Budget					
Reductions					
Governor's Budget					
<u>2008-09</u>					
Workload Budget					
Reductions	\$4,200			\$4,200	
Governor's Budget					

Program Description

The Genetically Handicapped Persons Program (GHPP) was established in 1975. The GHPP provides comprehensive health care to persons diagnosed with certain genetically handicapping conditions, e.g., Hemophilia, Cystic Fibrosis, Sickle Cell Disease. There are approximately 1,550 clients in the GHPP program, of whom 313 are full scope Medi-Cal beneficiaries. GHPP currently has no financial eligibility limits. However, persons with incomes over 200 percent of the federal poverty level are required to pay an enrollment fee based on a sliding scale. There have been no recent program expansions.

Program Reduction

Fee-for-service provider payments will be reduced by 10%. The reductions will be applied to non-contract hospital and all other provider types except for long term care facilities.

**2008-09 Governor's Budget
Budget-Balancing Reduction Proposal
(Dollars in Thousands)**

Reduction Impacts

The proposal would conform GHPP to the proposed Medi-Cal 10% provider payment reductions and would be implemented for provider claims adjudicated subsequent to June 30, 2008.

These payment reductions may have a impact on provider participation in the GHPP program. Certain types of specialty and subspecialty physicians are already scarce in California and this proposal may add to the challenge to find physicians to participate in the program. Some other providers of services, such as respiratory and rehabilitative durable medical equipment (DME) and home health agency (HHA) services already refuse to provide services to GHPP clients because of low reimbursement rates.

Timing of Implementation

The reduction will be effective three months after adoption of this change.

Statutory and/or Regulatory Change

Will require a statute change and emergency regulations.